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OFFICE OF RESEARCH AND REPORTS

BRIEFING PAPER
1959

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Introduction

The past year has seen no real mitigation of the struggle between the Free World and the Communist Bloc. Activities and policies of the Sino-Soviet Bloc countries have become increasingly aggressive and reflect the growing conviction among Communist leaders that, to paraphrase Khrushchev, an irrevocable shift in the relation of forces in the world is taking place to the advantage of the Communist Bloc.

The first year of the Seven Year Plan (1959-65) was completed by the USSR in a mood of glowing optimism. Although agriculture suffered some setback in 1959 as a result of a severe drought, industrial production continued to grow at a very high rate and the outlook for the fulfillment or overfulfillment of the Seven Year Plan is now more favorable than a year ago for the Soviets. Khrushchev, in words intended to be heard in the less developed countries as well as in the USSR, continues to boast that by 1970, five years beyond the end of the Seven Year Plan "... and possibly even earlier, the Soviet Union will gain first place in the world both as regards absolute output and the output of goods per capita, which will ensure for the [Soviet] population the highest living standards in the world. That will be the world historic victory of socialism in its peaceful competition with capitalism."

Mr. Khrushchev's timetable is, in our judgment, unrealistic. Nevertheless, if the Soviet industrial growth rate continues at 8 or 9 percent per annum during the 1960's, which we regard as feasible, and if the US industrial growth rate does not substantially increase during this period, the gap between the two economies will be dangerously narrowed. We can

expect the Soviets to step up their trade and aid offensive and to use their future production achievements as the basis of a powerful propaganda campaign aimed at the uncommitted, less developed countries of the world.

Dramatic developments also took place in Communist China. The excesses of the 1958 "great leap forward" and the "communes" programs were openly recognized by the Chinese in 1959. In spite of these excesses and the gross statistical exaggerations, the actual rate of Chinese economic growth is most impressive. Here again, Communist propaganda is loudly exploiting production successes as evidence of the superiority of the Communist system, a message that can carry a strong appeal to small countries ambitious for economic progress.

The continued intensification of the East-West conflict is having a major impact on our economic intelligence activities, and the urgency of our mission has mounted. Accordingly, high priority continues to be assigned to both the collection and the production of economic intelligence.

In today's world, the long-run balance of national power depends on economic capabilities, on the goals to which economic resources are directed, and on relative economic growth. The gravity of the Communist threat in these three critical areas cannot be dismissed. It follows that reliable and objective intelligence on the Communist economies - - their strengths and weaknesses, their problems, intentions and prospects - - must be available to those responsible for shaping the US reaction to the threat. Our Office of Research and Reports provides such economic intelligence support. In describing the work of this Office, I shall mention, in addition to its economic intelligence effort, its geographic intelligence activities, its coordinating responsibility and its intelligence support to economic defense.

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Economic Intelligence

The issues posed by Khrushchev's challenge to the West to engage in "peaceful competition" have given great emphasis to the need for, and the responsibilities of, economic intelligence as an area of critical national security interest. By inter-agency agreement and DCI directive the primary responsibility for economic intelligence research on the Sino-Soviet Bloc is assigned to the Office of Research and Reports.

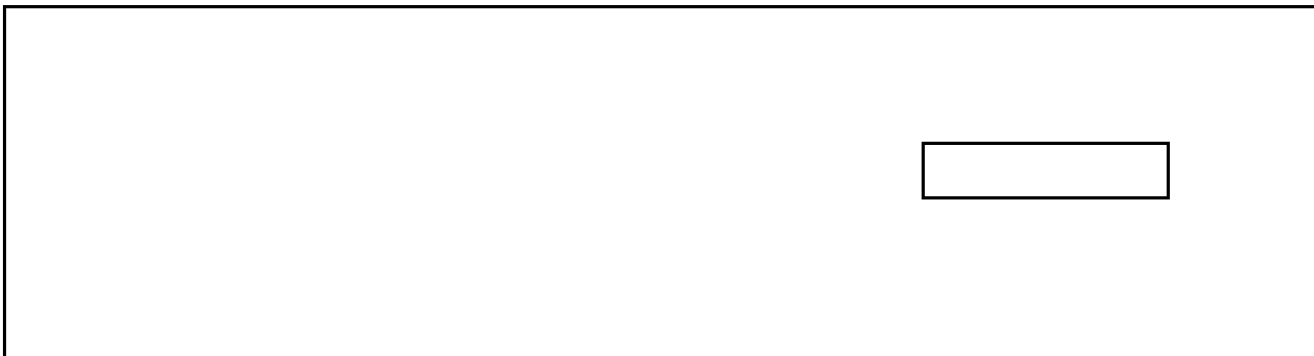
An adequate assessment of the complex and closely interrelated problems of the economies of the Sino-Soviet Bloc requires an integrated approach to the research effort. Other components of the intelligence community are not equipped to conduct Bloc economic research on an over-all basis, nor are they charged with this responsibility; their economic research efforts are oriented toward their individual departmental interests. ORR, to meet its responsibility, must direct its intelligence effort at all levels of the economies of the Sino-Soviet Bloc in varying degrees of intensity. Our analyses have emphasized the exploration of the economic factors which will play a major role in the determination of the future course of the Bloc economies. In this connection, considerable attention has been given to the economic interdependence existing between the Bloc economies and to the substantial reorientation of international trade among Bloc members and between them and the Free World.

In 1959, this Office devoted an important part of its research effort to the analysis of economic growth in the USSR. Close analysis of an expanding volume of published statistical material, policy discussions, and official statements facilitated measurement and anticipation of the problems of an increasingly complex Soviet industrial structure. Structural shifts

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in the economy, occasioned by problems in the expansion of the raw material and energy base, by the decision to channel more investment into housing and agriculture, and by the need to accelerate capital investment as an offset to a temporarily worsening labor supply situation, are now more fully understood. This fuller understanding has been reflected in ORR's annual contribution to the Soviet National Intelligence Estimate which evaluates the recent and expected future developments in Soviet economic growth.

The Office in 1959 continued to intensify its economic research program on Communist China. ORR's contribution to the annual National Intelligence Estimate on Communist China rejected the fantastic output gains claimed by the Chinese for 1958 and for their 1959 plan goals -- a judgment later confirmed by the Chinese Communists' own recantation of their statistical excesses. We are now engaged in a program of interlocking research projects dealing with the Chinese economy and with Sino-Soviet economic relationships to determine the Chinese potential for industrial and agricultural growth, the long-run significance of the "commune" program, the present and future dependence of the Chinese Communist economy upon the supply of technical assistance and capital plant and equipment from the USSR and the European Satellites. As a part of



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Despite the efforts of the leadership, unrest continues to exist in several of the European Satellites. ORR research, therefore, continues to address itself to the exploration of those economic factors which could lead to significant changes in economic policy in these Satellites during the coming years. ORR's present concern in the longer-run future of the Satellite economies is focused particularly on the relationships of these economies with that of the Soviet Union in the years after 1960.

Comparisons of the US and USSR economies and of Bloc versus Western economies are becoming increasingly frequent subjects of high-level interest. Lack of data and the lack of clear definitional standards for the available data, combined with the basic conceptual difficulties inherent in such comparisons, mean that our present comparisons will continue to require refinement. Research is proceeding on several fronts in a concerted effort to improve our capabilities in this priority area. In 1959 this Office assisted substantially in the preparation of the DCI's testimony on Soviet economic growth before the Subcommittee on Economic Statistics of the Joint Economic Committee of the Congress. As a result of this testimony and at the request of a member of the Committee, ORR collaborated with the Departments of State and Defense, in preparing a study of the costs and benefits to the USSR and the US of their respective alliance systems.

In the face of increased evidence of growing Soviet guided missile activity, there was intensified interest in economic intelligence assessments of the USSR's present and future missile production and operational deployment. This interest was reflected in the support rendered by ORR to the production of National Intelligence Estimates, to the Guided Missile

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and Astronautics Intelligence Committee, to the Net Evaluation Subcommittee, and to the White House Staff, the last with respect to the intercontinental missile aspects of a possible disarmament agreement. To fulfill these requests as well as to provide current intelligence support concerning the Soviet missile program as well as effective guidance and support to collection activities of all types, ORR made further increases in the number of analysts devoted to research on Soviet missile production and deployment and associated economic factors.

ORR's augmented research effort on the economic aspects of Soviet Bloc atomic energy activities was maintained during 1959. A major effort was made to develop new independent indicators of the magnitude of the Soviet atomic energy program based on an analysis of the extent of the supply of known inputs.

Concentrated ORR research initiated in 1958 to assess the quantities and types of electronics goods available to meet both military and industrial requirements, yielded during 1959 valuable reports on the electronics production capability of the USSR, China, East Germany and Poland, and on Soviet production of electron tubes, semiconductors and electronic computers. This research indicated that the rapid over-all growth of electronics production, combined with the widening range of items produced, has substantially removed previous restrictions on the magnitude of the Soviet weapons buildup. In a few critical areas, such as digital computers and special purpose components, however, Bloc electronic technology is still unable to meet current needs.

In the field of Soviet military economics, ORR plays an almost unique role by costing, as a service of common concern, the community estimates of military manpower and hardware. In 1959 for the first time,

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estimates of Soviet military expenditures were presented on a mission-oriented basis in order to contribute to determination of the relative emphasis being given by the USSR to its various military programs. These estimates also demonstrate the changing pattern of Soviet expenditures and the economic feasibility of the different military programs. On the basis of these studies, the outlook is for a reduced share of Soviet national product to go to military purposes, but with increased outlays for missile systems, for research and development and for nuclear energy programs. Khrushchev's recent revelations of Soviet force levels have emphasized the validity of ORR's basic approach to this important research problem.

During the past year, Sino-Soviet Bloc countries intensified their efforts to penetrate less developed areas of the Free World through expanded trade and economic aid programs. ORR continues to monitor and analyze developments in this field, and provides, in cooperation with the Department of State, most of the intelligence on the Sino-Soviet Bloc economic offensive which is distributed as agreed intelligence in publications of the Economic Intelligence Committee.

While Soviet announcements and recent statistical publications in certain non-strategic fields have been of value in our analysis of the Soviet Bloc economies, the Office must continue its intensive analysis of fragmentary and often conflicting data obtained overtly and covertly from innumerable sources in order to develop the economic intelligence on the Sino-Soviet Bloc that is required by our consumers. The complexity of the job and the need for an integrated approach mean that the economist, the technical expert, and the area specialist, all with their individual skills are vital elements of the research team. Experience has shown

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that additional training oriented toward specialized intelligence research tasks, although expensive and time consuming, is necessary for most of those who become effective intelligence officers in the research teams of the Office.

Attention is being given to the development of new techniques of analysis in order to make maximum use of the factual information which is constantly flowing into the Office. The analytical approach developed in the past few years by ORR for estimating the cost of Soviet military programs has provided the intelligence community with an additional dimension for evaluating and refining the magnitude and composition of estimated Soviet military programs.

The rigorous inspection of Soviet cost and price relationships now being undertaken by ORR is expected to represent an important step in the determination of the principal areas of Soviet industrial strength and weakness. It is hoped that the results of these studies will facilitate for us the forecasting of production trends in the Soviet domestic economy and the character and magnitude of future Soviet Bloc economic activities in non-Bloc areas, particularly as they may be in competition with those of the United States and other Free World countries.

Concurrently with its comprehensive economic research, the Office of Research and Reports evaluates and interprets current economic developments. A special staff, working in close cooperation with the Office of Current Intelligence and supported by appropriate research components, prepares timely reports of these developments for inclusion in the Agency's and intelligence community's output of current intelligence. The same mechanism is used in marshalling the full support of this Office behind the National Indications Center and the IAC Watch Committee.

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The annual economic research program of the Office, aimed as it is at serving many different interests and purposes, is necessarily complex and broad in scope. Past experience, analyzed quantitatively by machine methods, is depended on heavily in the development of new programs and in the periodic program reviews. Particular attention is given to the Priority National Intelligence Objectives and to such advice as our

principal consumers are able to provide concerning their requirements in the months to come. Formulation of the program begins with full provision for support to the production of scheduled and anticipated National Intelligence Estimates. Provision must also be made for scheduled contributions to the National Intelligence Surveys, where the Office has responsibility for the economic sections of the NIS dealing with the Sino-Soviet Bloc. Similarly, certain aspects of ORR's work in support of other agencies are scheduled in response to community-wide deficiencies in economic intelligence as identified by the Economic Intelligence Committee. In addition, this Office is aware from experience that a substantial portion of our research time will have to be spent in meeting "crash" or emergency requests from various high-level consumers. Finally, ORR attempts in its research planning to find time for projects which will examine economic questions likely to become of national intelligence significance in the future.

It is in this manner that the Office of Research and Reports provides the necessary intelligence on economic activities and trends of the countries within the Sino-Soviet Bloc.

Geographic Intelligence

We maintain within our Office of Research and Reports a group of competent geographic analysts who provide research and technical support to all parts of the intelligence community and contribute substantially to the National Intelligence Survey Program.

aiding the high level analysis of factors involved in foreign political crises affecting security interests of the United States. Other studies have contributed to the surveillance of USSR progress in nuclear energy, guided missiles, and biological warfare, and to the general influence of physical geographic factors on Communist capabilities to meet economic development goals. We devote increasing attention to the role of significant ethnic minorities in various world trouble spots.

Since the inception of the National Intelligence Surveys Program, the geographic group has provided substantial and continuing intelligence and cartographic support to this important basic intelligence activity.

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During the past year, a number of geographic intelligence reports and briefings were prepared on USSR operations in Antarctica and the Soviet Arctic, for use in assessing the significance of Soviet achievements and long-range intentions as they may affect United States interests in the Polar regions. In this work, we are closely supporting the Operations Coordinating Board through its Working Group on Antarctica. Support is also being given to the Department of State in the formulation of US positions relative to the implementation of the provisions of the Antarctic Treaty. In association with the Office of Scientific Intelligence and the Armed Services, we are analyzing Soviet geodetic activities as conducted within the USSR and abroad. By these analyses, the community is better able to evaluate Soviet progress in geodetic positioning for long-range targeting purposes.

Experience has shown that one of the most effective ways of presenting intelligence is to make extensive use of specially constructed maps. Our cartographic unit within the Office plans and prepares these intelligence maps for inclusion in CIA reports, National Intelligence Estimates, National Intelligence Surveys, and for many other purposes

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Interagency Coordination

In carrying out CIA's responsibilities for coordinating economic intelligence relating to national security, the Office of Research and Reports plays an active role in the work of the interagency Economic Intelligence Committee (EIC), established in 1951 under CIA Chairmanship. The membership of this Committee is made up of the following USIB agencies: the Department of State; the Departments of the Army, Navy, and Air Force; the Joint Staff (JCS); the National Security Agency; the Office of Special Operations (OSD); and CIA. A number of non-USIB agencies are associate members, including the Departments of Agriculture, Commerce, and Interior, the International Cooperation Administration, and others. The Office of Research and Reports provides secretariat services for the main committee and for 14 subcommittees, as well as for all standing and ad hoc working groups.

As one of its principal responsibilities, the EIC produces or arranges for the production of agreed interagency reports on selected economic intelligence matters of major importance. Biweekly and semi-annual summary reports on the Sino-Soviet Bloc economic offensive in Free World underdeveloped areas are produced and distributed throughout the US Government to key officials and offices, including principal overseas posts. During 1959, the EIC also undertook the coordination of several reports on subjects such as the international trade and transport of Communist China, and policies, performance, and prospects of Soviet agriculture through 1965.

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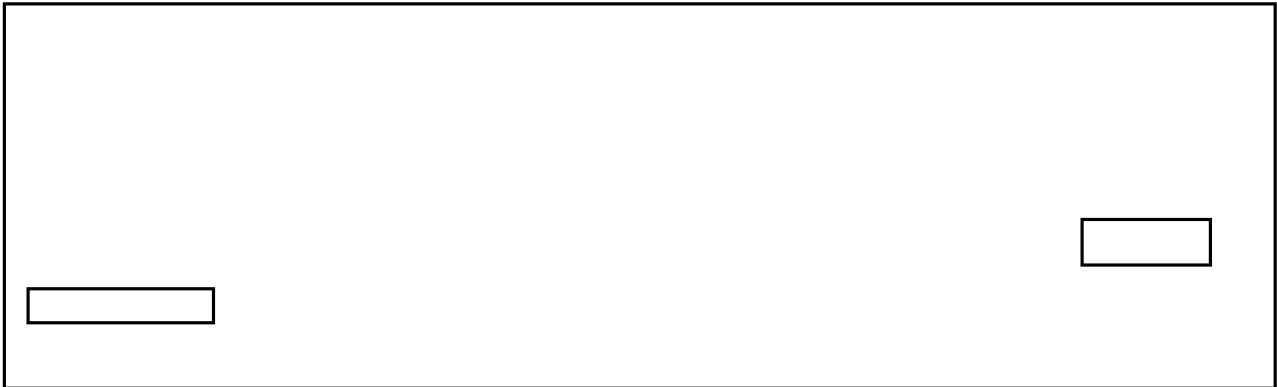
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respective fields. In addition, several of the substantive subcommittees have undertaken the review and coordination of individual agency economic intelligence studies prior to publication, while a number of subcommittees have reviewed and discussed agency research programs as a means towards reducing unnecessary overlap and duplication.

The EIC reviews systematically economic intelligence activities within the US Government to assist in identifying priority deficiencies in research and collection and in avoiding unnecessary duplication by the individual agencies. The survey listings of the EIC periodically report the status of US Government economic intelligence studies and related research (undertaken both internally and externally by contract), on the Sino-Soviet Bloc and on Free World underdeveloped areas involved in Bloc economic penetration efforts. This is another means by which duplication in research programming is reduced. In 1959, the EIC completed a special Survey of US Government professional personnel engaged in economic intelligence and related economic research. Further, as a guide for economic intelligence collection and production, statements of "Priority National Economic Intelligence Objectives," identifying and expanding the economic aspects of the USIB-issued "Priority National Intelligence Objectives," were issued [redacted] 25X1
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Proposals for external economic research contracts [redacted] are reviewed by the EIC, and comments and suggestions are forwarded to the sponsoring agencies for their guidance. Through the EIC mechanism, the Office of Research and Reports, as the organization primarily responsible for providing intelligence on the economies of the countries of the Sino-Soviet Bloc, obtains guidance in the continuing re-examination of its own research program.

The several EIC subcommittees provide technical advice and suggestions to the USIB Committee on Exchanges in connection with proposed exchange visits of Soviet and US professional and technical personnel.

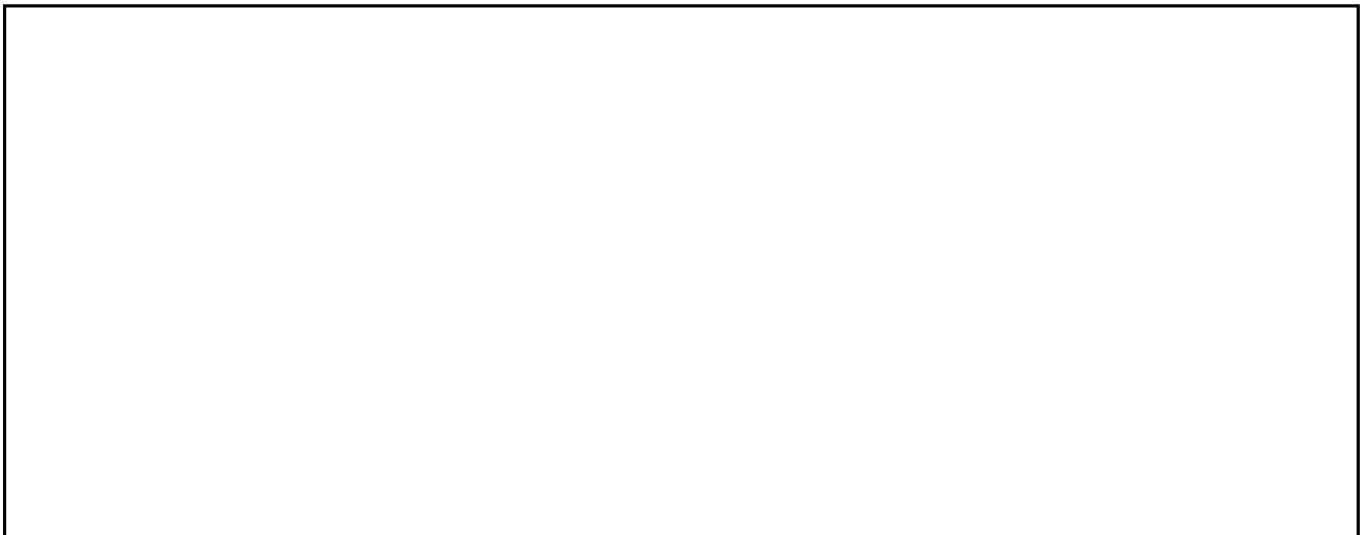
The EIC has continued to direct its attention to the problems of planning for wartime or emergency operation and is coordinating this planning with other USIB committees and with EIC member agencies. It



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CIA plays an active role in support of the US economic defense program. The Office represents the Agency on the Economic Defense Advisory Committee (EDAC) and the Advisory Committee on Export Policy (ACEP). Our activities include not only production of intelligence in support of economic defense policy but also, under NSC directive, the provision to action agencies of intelligence on illegal transactions and



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1959 PLAUDITS

1. From Deputy Director for Intelligence, JCS, to DDI, 12 February 1959, expressing appreciation for the assistance of an ORR employee in the preparation of a paper on Civil Defense. This analyst was praised for his high standard of professional knowledge and depth of experience in his contribution to this Staff paper. (Unclassified).
2. From Director, Net Evaluation Subcommittee Staff, to DCI, 20 March 1959, commenting on the excellent briefing given by CIA for the Director and his Staff. In addition, ORR was complimented on the selection of maps and studies forwarded to the Subcommittee in May which proved extremely useful in their present evaluation of US target problems directed against the USSR.
3. From Deputy Chief of Staff, Intelligence, North American Air Defense Command (NORAD), to DDI, 18 May 1959, expressing thanks for the fine presentation given by an ORR employee on Soviet missile production. He also commented on the benefit gained in the discussions which followed with members of his intelligence staff in areas of mutual interest. (Unclassified).

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7. From DDI to AD/RR, 27 August 1959, transmitting the appreciation expressed to the DCI by General Draper for the outstanding graphics help given them in the preparation of the reports by that Committee.
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8. From Director of Targets, ACS/I, Air Force, to DCI, 18 November 1959, commenting on the long standing assistance and cooperation of ORR analysts rendered to the AFIC. In particular he noted the recent arrangements made for conferences for their analysts with specialists in the field of missiles and the exchanges of information on the Soviet missile program which included cost figures for present estimated Soviet surface-to-air missile systems and a comparison of the construction costs of a Moscow herringbone type site and the new Glau surface-to-air site.
- [REDACTED]

9. From Public Affairs Adviser, Bureau of Economic Affairs, State, to AD/RR, 5 November 1959, expressing the gratitude of the Assistant Secretary of State for Economic Affairs for the able assistance given the Bureau in the preparation of a speech delivered by the Assistant Secretary at the Department of Agriculture. He stated that the materials prepared by ORR enabled him to present an informative and useful address. (Unclassified).
- [REDACTED]

11. From Special Assistant to the President for Science and Technology to DCI, 6 October 1959, conveying appreciation for the support ORR gave to the special panel on the study of Soviet and US computers.
- [REDACTED]

12. From Deputy US Antarctic Projects Officer, Defense, to Chief, GG/X, 15 December 1959, expressing appreciation for assistance rendered, and complementing the recipient on the manner in which he kept the various agencies of the US Government abreast of USSR activities, and therefore, helped to keep the US Antarctic Program in balance, internationally.
- [REDACTED]

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14. Numerous letters were received from the Navy War College, the US Army War College, the Department of State School of Foreign Affairs, the US Army Intelligence School, the US Naval Intelligence School, the Industrial College of the Armed Forces, and the Naval Reserve Politico-Military Affairs Company congratulating ORR personnel on their excellent presentations before these groups. It was felt that these informative lectures did much to enhance the program of each group. Typical comments were: "Your discussion of the Soviet economy was comprehensive, timely, and well received"; "I take

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this opportunity to record my appreciation for the informative and stimulating day you devoted to our new class"; "It is with a great deal of pleasure and sincerity that I express the appreciation of the students, faculty and myself for the extraordinarily fine lecture you delivered on 'Economic Intelligence.'"

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